June 23, 2011

Re: Aetna Life Insurance Co.
Aetna Tracking Numbers: CA SG ALIC 070111
State Tracking Numbers: PF-2011-00827

<u>Responses to the questions provided in June 13, 2011 email as they pertain to our filing effective July 1, 2011 are discussed below.</u>

1. Explain discrepancies between 15-Secular trend and 17bc – Facility trend detail.
    - The secular trend response was based off a different time period than the Facility trend Detail. I have provided an updated response using the same time period for both. See "3Q11 ALIC responses to 05-13-11 questions r3.xls".

2. We note that according to the UBS investor research letter on Aetna of April 29, 2011, the company has recently been "lowering its outlook for 2011 medical cost trend by 50 bps to 7.5% +/- 50 bps, with revised outlook here largely consistent with 2010's trend of ~7.5%."

However, according to the tab "15-Secular Trend", the historical and anticipated group medical trends are as follows:

2009 / 2008 6.3%
2010 / 2009 3.1%
2011 / 2010 12.3%

In light of the company's lowered outlook for 2011 trend, please explain the high level of anticipated trend used in your pricing relative to the recent historical trends.

- The UBS investor research letter on Aetna of April 29, 2011, in which the company recently lowered its outlook for 2011 medical cost trend by 50 bps to 7.5% +/- 50 bps, with revised outlook here largely consistent with 2010's trend of ~7.5% was based on a total company basis. This is not necessarily indicative of our trend outlook in any one specific geography such as California.
- Concerning the favorable trend experienced in 2009 and 2010, the main driver of that experience resulted from utilization levels that were driven by the recent economic conditions. We do not believe that the utilization levels driven by those economic conditions will be sustained.

3. The actuarial memoranda accompanying rate filings PF-2010-02082 and PF-2010-02424 specify percent change in plan benefit factors related to rating area that are separate from the trend changes. There are also changes in area

definition. Are there any such changes in benefit factor or area definition associated with the current filing?

- There are no rating area changes included in this filing. There are benefit plan factor changes but they have already been incorporated into the pricing trends. The benefit factor changes were applied to plans with little or no membership so the impact on the pricing changes was small.

4. On the second page of the actuarial memorandum for PF-2010-02082 (eff. 1st quarter 2011), table 3 shows the "percent of change in trend from January 2011 to February 2011 by area". What exactly does this signify, since your filings imply rates that are constant for the length of a quarter?
   - For our 1Q11 filing, we implemented a portion of the increases in both January and February. This was done in an attempt to smooth out the resulting annual increases as some of our historical rate changes were not constant over the length of the calendar quarters or always implemented at the beginning of the calendar quarter. Table 2 and Table 3 summarize the change in manual rates from 4Q10 to January 2011 and then the change from January 2011 to February 2011. There were no additional changes for March.

<u>Responses to the questions from our phone conversation on June 21, 2011 as they pertain to our filing effective July 1, 2011 are discussed below.</u>

1) Provide enrollment by plan for current period.

Plan Name	Members
CA MC $250 90/70	2,056
CA MC $250 80/60	3,029
CA MC $500 80/60	4,914
CA MC $750 80/50/50	3,245
CA MC $1000 70/50	5,271
CA MC $1000 80/50/50	11,243
CA MC $2000 80/50/50	2,965
CA MC HSA HDHP $2000 80/50 (TIF)	6,315
CA MC HSA HDHP $3500 80/50 (TIF)	7,306
CA MC HSA HDHP $3000 90/50 (TIF)	2,907
CA MC HRA HDHP $3000 80/50	11,066
CA MC $10000 100/50	12,767
CA MC $2500 75/50	6,913
CA MC $3500 65/50	1,066
CA MC HRA HDHP $5000 80/50	1,054
CA PPO $500 90/70	205
CA Aetna Indemnity	0

2) Verify on 01-Product Descriptions the Out of Pocket Maximums for the MC $10,000 deduct plan.

- The Out of Pocket maximum. The in-network out of pocket maximum is $10,000 Individual and $10,000 family. There is no Out of Pocket Maximum on this plan for Out of Network services. What we provided on 01-Product Descriptions is correct. As a result of this question, we reviewed all the product descriptions on this tab and did find a couple of discrepancies. We have provided an updated 01-Product Descriptions tab in "3Q11 ALIC responses to 05-13-11 questions r3.xls".

3) Confirm benefit change descriptions on the "02-Changes to Benefit" tab. You questioned whether the benefit change descriptions in column U matched the plan names.

   - We have confirmed the descriptions are correct. On lines 21 & 23, the confusion may lie in the descriptions refer to the Coinsurance maximum changes and this may be getting confused with the Out of Pocket Maximum or deductible.

4) Confirm last product refresh date prior to 10/1/10.
   - Our previous product refresh date was 5/1/10.

5) Why uptic in average RAF for 2011?
   - A revised summary of the last 4 quarters average change in RAF has been provided. See 12-Risk Adjustment Tab in "3Q11 ALIC responses to 05-13-11 questions r3.xls". The typical monthly average change in RAF falls within +/-2%. The results for the past 12 months fall within this range. Our first submission was based on a system generated report that upon further review did not include all the renewing groups for the time period requested. The revised numbers reflect all renewing groups for each of the selected renewal months.

6) Explain difference between Secular Trend and Pricing Trend used for pricing?
   - Differences in Secular Trend and Pricing trend can result in a number of ways.
     - Secular trend is a calendar year trend whereas the pricing trend is a blend of different trend levels that comprise the period from the midpoint of the experience period to the midpoint of the rate period. The pricing trend is a blend of trends that can span 3 different calendar years.

     - Timing differences between when the pricing trends and secular trends were developed. Pricing trends may reflect anticipated provider contracting changes that may not be included in the secular trends

7) On the “3Q11 CA MPC Details & Alternate Rating Formula r2 ALIC.xls” exhibit, the difference between needed increase and recommended increase is not consistent with resulting project MCR. Explain.
    - To be determined